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Frank W. Linder
MARKET ADMINISTRATOR

Market Administrator's

BULLETIN

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Milk for Manufacturing Increased, But Pattern of Milk Use Changed Slightly In 1964

The Dairy Situation, Economic Research Service USDA, March 1965

U. S. milk production increased 2.0 percent during the fourth quarter of 1964 over a year earlier. Farm marketings of milk and cream gained by about 2½ percent, because the proportion of milk production sold from farms is increasing. Most of this increase in marketings was used in manufactured dairy products, which (on a milk equivalent basis) rose 5 percent over fourth quarter 1963. Of the manufactured dairy products for which monthly data are available, October-December output increased for all except evaporated milk. Gains ranged from 1.5 percent for miscellaneous types of cheese to 67 percent for condensed whole milk (case goods). Gains over a year earlier are continuing in the first quarter of 1965, but at a more moderate rate.

Preliminary data on factory production of dairy products, together with sales of fluid products in urban marketing areas, afford a basis for tentative estimates of 1964 milk utilization. Although 1964 milk production increased 1.6 billion pounds over 1963, the decline in milk used on farms caused marketings to increase more, by an estimated 2.3 billion pounds. Since Off-farm consumption of fluid milk products gained about a billion pounds, milk equivalent use of milk in manufactured

dairy products in 1964 gained about 1½ billion pounds, or 2 percent more than in 1963. Milk use was practically the same for evaporated milk. Gains in other products ranged from 1 percent for butter to 6 percent for cheese other than American. Record highs were established by Italian cheese, blue mold cheese, ice milk, and creamed cottage cheese.

Creamery butter manufactured in 1964 totaled 1,434 million pounds, up 1 percent from 1963. Production of cheese, whole and part skim, at 1,703 million pounds in 1964, rose 4 percent above 1963 and 1961. The record 1964 output of ice cream was 2 percent above 1963, while nonfat dry milk production increased 3 percent.

Compared with 1963, regional changed creamery butter output ranged from a 5 percent gain in the West North Central States to a 20 percent decline in the North Atlantic States. Production increased in the 3 leading butter States — 8 percent in Minnesota, and 6 percent in Iowa.

American cheese output in 1964 was a record 1,161 million pounds, nearly 1 percent above the previous record in 1961. The total of other varieties of whole milk and part skim cheese increased 4 percent above 1963 to 542 million pounds, a record high.

(Continued on Back Page)

MILK PRICES DECLINING SEASONALLY, BUT ABOVE A YEAR EARLIER

The Dairy Situation, Economic Research Service
USDA, March 1965

Prices farmers received for all wholesale milk averaged \$4.28 per 100 pounds in February, 9 cents per hundredweight below January but 3 cents higher than a year earlier. The increase over last February was due partly to increased use of milk for the higher-valued fluid milk products and partly to a 5 cent increase in the price of manufacturing grade milk. Prices in January were down 11 cents from December but were 3 cents above a year earlier. Prices received by farmers in the second quarter will decline seasonally from those in the first quarter, and are expected to be close to April-June 1964 levels.

The simple average of monthly prices of all wholesale milk in 1964 was \$4.18 per 100 pounds, 6 cents above 1963, and the same as the 1957-59 average. Prices paid by dealers for milk distributed in fluid form rose from \$5.31 per 100 pounds in 1963 to \$5.35 in 1964. About half of all wholesale milk is distributed in fluid form.

Prices received by farmers for milkfat farm-separated cream in 1964 averaged 58.8 cents per pound compared with 58.5 cents in 1963 and 60.1 cents for 1957-59. In February the price of milkfat was 58.7 cents per pound, 0.1 cent over a year earlier.



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	.....
Class I (3.5%)	.....
Class II (3.5%)	.....
Class III (3.5%)	.....
Class IV (3.5%)	.....
Producer Butterfat Differential for each one-tenth percent	.....

March 1965	Feb. 1965	March 1964
\$4.25	\$4.42	\$4.01
4.57	4.78	4.27
3.130	3.130	3.835
—	—	3.675
—	—	3.078
7.6¢	7.8¢	7.1¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	.....
Percent of Producer Butterfat in Class I	.....
Percent of Producer Milk in Class II	.....
Percent of Producer Butterfat in Class II	.....
Percent of Producer Milk in Class III	.....
Percent of Producer Butterfat in Class III	.....
Percent of Producer Milk in Class IV	.....
Percent of Producer Butterfat in Class IV	.....

79.3	79.8	72.2
72.8	73.0	66.7
20.7	20.2	7.7
27.2	27.0	2.2
—	—	2.4
—	—	3.0
—	—	17.7
—	—	28.1

PRODUCER MILK RECEIPTS

Total Pounds of Producer Milk Delivered	.....
Average Daily Class I Producer Milk	.....
Total Number of Producers	.....
Average Daily Receipts per Producer	.....
Average Butterfat Test	.....
Total Value of Producers Milk at Test	.....
Income per Producer (7 day average)	.....

47,417,628	42,549,333	42,279,621
1,529,601	1,519,619	985,244
1,667	1,670	1,339
918	910	1,019
3.84	3.87	3.81
\$2,136,366	\$2,001,090	\$1,780,392
\$289	\$299	\$298

GROSS CLASS USE (Pounds)

Class I Skim	.....
Class I Butterfat	.....
Class I Milk	.....
Class II Skim	.....
Class II Butterfat	.....
Class II Milk	.....

36,298,480	32,751,325	29,467,855
1,326,672	1,202,999	1,074,696
37,625,152	33,954,324	30,542,551
9,296,521	8,149,288	3,219,504
495,955	445,720	34,666
9,792,476	8,595,008	3,254,170

AVERAGE DAILY SALES (Quarts)

Milk	.....
Buttermilk	.....
Chocolate	.....
Skim	.....
Cream	.....

447,503	448,199	321,308
5,944	5,732	4,390
31,446	30,804	16,941
14,962	15,286	11,813
9,607	9,746	7,811

Area Extended Effective May 1, 1964

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



MAR., 1956 - '65

Year	Receipts From Producers	Average Butter-fat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class Prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1956	26,122,629	3.85	73.1	10.8	8.0	8.1	3.97	4.20	3.80	3.80	3.124	2,069	407
1957	24,561,765	3.77	83.6	10.8	2.8	2.8	4.46	4.566	4.166	4.066	3.063	1,918	413
1958	25,204,863	3.78	80.9	10.1	3.9	5.1	4.34	4.493	4.093	3.993	3.070	1,833	444
1959	24,683,556	3.81	85.2	10.2	1.2	3.4	4.28	4.394	3.994	3.894	2.871	1,687	472
1960	28,724,747	3.98	82.5	8.6	2.2	6.7	4.24	4.419	4.019	3.697	2.981	1,704	544
1961	31,091,341	3.77	76.2	8.4	1.9	13.5	4.20	4.44	4.04	3.804	3.090	1,459	687
1962	34,362,548	3.89	77.2	8.8	3.0	11.0	4.20	4.40	4.011	3.849	3.249	1,328	835
1963	38,328,637	3.88	78.6	8.4	3.5	9.5	3.95	4.11	3.702	3.663	3.063	1,383	894
1964	42,279,621	3.81	72.2	7.7	2.4	17.7	4.01	4.27	3.835	3.675	3.078	1,347	1,012
1965	47,417,628	3.84	79.3	20.7	—	—	4.25	4.57	3.130	—	—	1,667	918

★ **FEDERAL ORDER SUMMARY 1964**

The Dairy Situation, Economic Research Service USDA, March 1965

Producer deliveries to Federal order handlers in 1964 increased 2.6 percent over a year earlier, and deliveries used in Class I gained 2.7 percent. The 69 order markets in effect in all of 1963 and 1964, and with no significant change in their marketing areas furnished 77 percent of the grain in producer deliveries; the remainder came from expanded markets. For these 69 markets, producer deliveries rose 2.2 percent compared with a Class I sales increase of 1.9 percent. Use of milk for Class I purposes was 60.8 percent of producer receipts, 0.2 percent lower than in 1963. Regionally, for all Federal order markets, the percentage of producer deliveries used in Class I milk was up in the South Atlantic and East South Central regions, unchanged in the New England, East North Central, Middle Atlantic, and Pacific markets, and lower in West North Central, West South Central, and Mountain regions. Federal milk orders accounted for about two-thirds of total fluid milk and cream sales in the United States last year.

For all Federal order markets, daily deliveries averaged 887 pounds per producer in 1964, 8 percent over a year earlier. The average annual increase for 1959-63 was 9 percent. Although the number of producers declined 5 percent in 1964 from a year earlier, the increase in average deliveries per producer more than offset the decline.

Class I prices averaged \$4.87 per

100 pounds, 9 cents above 1963 and, together with a rise in manufacturing class prices, pushed the average of blend prices to \$4.22, 7 cents above 1963.

For fluid use (Class I), the Federal order prices are derived from manufacturing milk values, economic indexes, or prices specified in the orders. For most orders seasonal adjustments and supply-demand adjustments also apply. Orders with prices based on manufacturing values add a fluid differential. As of February 1965 the 77 orders included 70 orders with Class I prices based on the Minnesota-Wisconsin manufacturing grade milk series; 4 orders based on economic indexes; and 3 orders with the base price specified in each order.

The 70 orders using the Minnesota-Wisconsin series accounted for 65 percent of Federal order producer Class I sales last year. The Minnesota-Wisconsin price series measures directly the current market value of milk for manufacturing use and is determined by competitive conditions in a 2-State area where about one-half of the milk for manufacturing is produced. The price support level for manufacturing milk affects the Minnesota-Wisconsin manufacturing grade milk series, hence it has varied within a relatively narrow range.

Economic indexes are used in 4 orders in the Northeastern United States which account for 30 percent of Class I sales. These indexes in-

clude such factors as U. S. wholesale commodity prices, prices paid by dairy farmers, disposable personal income, and manufacturing milk prices, which affect the demand and supply of milk.

Class I prices in the Northeast have declined in recent years. The decline has been particularly significant in the New York-New Jersey order because of the supply-demand adjustment. The difference between the New York-New Jersey Class IA price and the Minnesota-Wisconsin manufacturing grade milk price dropped from \$2.62 in 1959 to \$2.09 in 1964. Northeast prices generally have declined since 1959 in relation to the Midwest Class I price level.

FARMERS PRICE TRENDS

The Dairy Situation, Economic Research Service USDA, March 1965

Prices farmers receive for milk and milkfat have trended slowly upward in the last 3 years, in contrast to a net decline for crops as a group and rather wide fluctuations for other livestock products. Marketings of milk and cream in 1964 were about 1.5 billion pounds, milk equivalent, above 1963, and cash receipts from producer marketings are expected to approach \$5 billion, a record high, about 2.5 percent above 1963. During the past decade market prices have been closely in line with Government support prices, because supplies have exceeded demand from commercial outlets.

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THE
Market
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MILK USE PATTERN . . .

(Continued from Front Page)

American cheese production increased over 1963 in both major producing regions — 5 percent in the East North Central States and 11 percent in the West North Central States. It was 7 percent smaller in the South Central States. In Wisconsin, the leading State, output increased 8 percent.

In 1965 through February 18, weekly creamery butter output averaged 3 percent over a year earlier and American cheese gained 5 percent. The pattern of milk use this year is expected to show some of the same changes that occurred in 1964. Butter, nonfat dry milk, and evaporated milk production are expected to show small changes. Fluid milk, frozen dairy products and cottage cheese may gain, slightly more than population; cheese output will probably gain more because of relatively strong demand. As in 1964, current prospects for increased milk production would most likely mean modest gains in butter and nonfat dry milk output (two products being brought under the USDA price support program). Fluctuations in milk production tend to affect production of these items more than output of other dairy products. Cheddar cheese also is purchased under the price support program, but its production tends to be less responsive to changes in milk supplies.

Market Quotations

MARCH
1965

MINNESOTA - WISCONSIN PRICE SERIES	\$3.22
MIDWEST CONDENSERIES 3.5% per Cwt.	3.135
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.030
Average Price per lb. 92-score butter at Chicago	.5799
Average carlot prices non-fat dry milk solids	
roller and spray process, f.o.b. manufacturing plant	.1425

FOREIGN DAIRY SITUATION

The Dairy Situation, Economic Research Service

World milk production in early 1965 appears to be running above year-earlier levels, as a result of gains in major producing areas. Increases in North America are about 2 percent. In Europe mild weather, together with higher prices for farmers in some countries, has brought fall and winter production up, and adequate moisture promises excellent forage in spring. Australian and New Zealand production has increased in response to good weather and improved world prices.

As a result of higher milk production in Europe and increased butter shipments from New Zealand and Australia, butter stocks in Europe have risen sharply. As of January 22, United Kingdom stocks were 99 million pounds compared with 46 million a year earlier. Prices of Danish, Finnish, and Dutch butter all broke more than 2 cents per pound on the London Provision Exchange during the last week of January, compared with steady prices a year earlier.

Prices of these butters had carried premiums up to 6 cents per pound over New Zealand "Finest" butter. However, prices of butter from Australia and New Zealand, United Kingdom's major sources of butter, remained unchanged through the week ending February 12.

Prices of nonfat dry milk remained unchanged through February 12. Australian and New Zealand production is largely committed, so the major remaining supplies for world trade must originate from 1965 U. S. production.

Retail prices of butter in much of Western Europe continued high, ranging from about 63 cents per pound in Denmark to 96 cents in France and \$1.20 in Switzerland. These high prices may be slowing demand. However, General economic activity continued to be intense, and a moderate rise in butter production likely can be absorbed without unduly raising stocks this year.